FORESTRY FUTURES TRUST ONTARIO

2012/13 Annual Report

Forestry Futures Trust Committee
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CHAIR'S MESSAGE

In preparing the contents of this issue, I reflected on the privilege of being involved with a wide spectrum of land management practitioners and policy analysts that are fully engaged in ensuring that Ontario's forests continue to support a diversifying forest industry while sustaining the integrity of forest ecosystems to provide broader social benefits of forests. The insight, enthusiasm, and willing engagement of the FFC in designing and delivering our programs is inspiring. The program could not run without their ideas, and their support. Each brings a unique perspective to the table that adds to the depth of understanding for the effective distribution of funds for approved program areas. This year, special thanks are extended to Mike Barker who brought his experience to table to review and strengthen our strategic plan, to Erik Wang and Bob Elliott who offered leadership and active participation in reviewing our role in the EFRI program, and to Herb Bax who brought his expertise and experience to take an active leadership role in our review of the IFA program.

Despite several years of reduced harvesting in the province which translated into fewer dollars for renewal activities after natural disturbances, we extended three calls for proposals and approved the distribution of $7.5 million dollars to support 33 projects throughout the province, designed to restore areas depleted by fire, wind, insect and disease or to enhance wood supply where critical shortages exist. After several years of providing leadership for this, and the eFRI program, we wish Mona Wiltshire continued professional success in her consulting career. Special thanks are extended to Claire Riddell who provides financial tracking support.

Each SFL in the province is audited every five years to confirm that the forest companies and MNR are following the planning and operational requirements of their social license to conduct forest harvesting and related activities on Crown lands, and to ensure that the implementation of the plan and the operations do not risk forest sustainability. The province's policy for the framework of sustainable forests outlines the principles and objectives for forest sustainability which include the maintenance of biodiversity and ecosystem services, the conservation of the quality of water, soil, and air, and the provision of forest-based economic and social values.

Four audit firms completed Independent Forest Audits on nine forests in 2012. The results provide reassurance that the Ministry of Natural Resources and industrial partners managing and/or operating on Crown lands, carried out their activities within the laws and regulations of the province. Professional standards of practice continue to evolve as our understanding of forests and their response to resource management grows. As always, our participation in the oversight of this program is strengthened by the contributions of the committee's contract staff Ken Van Every and Sarah Bros. The commitment and active role of the FFC in reviewing draft documents, and effectively participating in overall reviews of the IFA program helps ensure that the IFA remains effective.

I followed with interest over this past year, as the momentum grew with respect to the tenure modernization programs implemented by the Ontario Ministry of

Natural Resources. The FFT provides funding for the transition from the former tenure arrangement to the new Enhanced Sustainable Forest Licenses (ESFL). The ESFLs promote the establishment of management partnerships consisting of those with interests in the forest, encouraging the full participation of local First Nations, municipalities, and forest industry participants. In this past year, the Kenogami ESFL was a successful applicant and we look forward to following its progress. In May 2012, the Ministry of Natural Resources established the Nawiinginokiima Forest Management Corporation (NFMC), a Crown agency designed within the principles of the Local Forest Management Corporation model, one of the proposed new tenure models. The FFT provided the interim mechanism to fund its start up activities, pending the issuance of the Sustainable Forest Management Licenses and the establishment of a working Board of Directors and operational Team.

The third component of the Tenure program saw four active Sustainable Forest Management License areas (Big Pic, Sapawe, Whisky Jack and Lac Seul) come under the management of local MNR offices, as licenses were returned to the Crown due to bankruptcy or insolvency. Although a discouraging sign of the economy, this provided good opportunities for the Crown managers to gain first hand insight into the scope and complexities of today's resource management environment. The FFC provides oversight on expenditures and ensures that financial resources are available to carry on required activities on the forests.

The Committee's partnership with MNR in supporting the funding of the eFRI program continues to grow. This year was a year of reflection and regrouping for the FFC as we sought to define training needs and the most effective approach to providing support to smaller SFLs and other forest inventory users. The new format and quality of the imagery and the inventory creates opportunities and challenges for transitioning from the older more conventional imagery. We look forward to launching a targeted program in the coming year.

In closing, I present the annual report which provides documentation of the benefits accrued from the forward thinkers who designed the Forestry Futures Trust. The fund ensures that reliable financial support is available to support key activities that contribute to the effective management of public forests.

H Maureen Kershaw

WHO WE ARE & WHAT WE DO

Forestry Futures Trust

The Forestry Futures Trust (FFT) was established under the authority of the *Crown Forest Sustainability Act* (1994), Part V. Section 51 of this Act states that the Minister may appoint a Forestry Futures Trust Committee to provide advice on the following matters:

1. *The funding of silvicultural expenses in Crown forests where forest resources have been killed or damaged by fire or natural causes.*
2. *The funding of silvicultural expenses on land that is subject to a forest resource licence, if the licensee becomes insolvent.*
3. *The funding of intensive stand management and pest control in respect of forest resources in Crown forests.*
4. *Such other purposes as may be specified by the Minister.*

Source: Crown Forest Sustainability Act, Part V, Section 51(3)

Other purposes specified by the Minister for which Trust funds are used include:

- Independent Forest Audit Program - IFA
- Forest Tenure Modernization
    - Enhanced Sustainable Forest License - ESFL design and development
    - Local Forest Management Corporation – LFMC design and development
    - Forest Management Component - FMC
- Enhanced Forest Resource Inventory – eFRI production and delivery.

The Trust fund is managed by the Trustee, RBC Dexia Investor Services Trust. Funds are allocated to successful applicants under the direction of the Forestry Futures Trust Committee Chair, supported by decisions made through consensus by the Forestry Futures Committee (FFC).

The Committee members are appointed by the Minister for a three-year term, which may be renewed at the discretion of the Minister. The Trust is funded by harvest volume charges on Crown timber.

Forestry Futures Trust Committee

CHAIR

Maureen Kershaw, R.P.F. (member since inception 1995) brings experience from a 35 year career in government, academia, non-government organizations, and the consulting sector. She is a graduate in resource management and ecology from the University of Waterloo and U. of Alberta with a career centered on the development and application of ecological principles in forestry and land restoration after mine development. An active outdoor enthusiast, she has served on the Board of Directors and committees that promote adult and youth engagement and excellence in endurance sports.

MEMBERS

Mike Barker, (member since 1999) had a 32-year career with the Ontario government holding positions such as District Manager, Ministry of Natural Resources, and Assistant Deputy Minister, Northern Development and Mines. He now runs his own business consulting firm.

Bob Elliott, R.P.F., (member since 2006) has had a varied career with the government of Ontario's Ministry of Natural Resources, MacMillan Bloedel and Weyerhaeuser. He now owns a consulting business.

Erik Wang, R.P.F. (ON and BC) (member since 2011) holds Bachelor and Masters Degrees from Lakehead University and UNB. His 30 year career in forestry has included positions with industry, university and consulting sectors primarily in NB and BC with technical expertise primarily in the areas of resource planning and timber supply forecasting.

Herb Bax R.P.F., (member since 2012) is a forestry consultant with over 35 years experience. He is past president of the OPFA and has served on numerous international committees and boards. Herb's work as an environmental and forest auditor across Canada and the US brings an international perspective to the Committee.

Our Support Team

Assisting the Committee is a small team reporting to the Chair:

- Mona Wiltshire, R.P.F., Silviculture and eFRI Program Coordinator (until Feb. 28/13)
- Ken VanEvery, R.P.F., Independent Forest Audit and ESFL Program Coordinator
- Sarah Bros, R.P.F., Independent Forest Audit Analyst
- Anastasia Frisby, Office Administrator
- Claire Riddell, Financial Information

FFT Secretariat – The Ministry of Natural Resources

Since its inception in 1995 the FFC has enjoyed a productive working relationship with Ministry of Natural Resources (MNR) staff. As the Committee's mandate expanded over the decade, the lines of communication and the number of Ministry contacts correspondingly increased. In this regard, the Ministry Secretariat functions are provided by Peter Henry, Rhonda Hancherow, Diane Black and key staff listed below by program area.

- *IFA Program* –Spooner Collins, R.P.F., Troy Anthony R.P.F. and Bill Morrison
- *eFRI Program* –Frank Kennedy, R.P.F., Joe Kapron, R.P.F. and Murray Radford.
- *Forest Management Component* – Betty Vankerhof
- *Tenure Modernization*- Kirsten Corrigal R.P.F, Kevin Coombs, R.P.F. and Andy Lemmetty, R.P.F.

The FFT Secretariat continues to fulfil its role while honouring the principle of committee independence on all matters related to funding allocations for projects. Thanks to Bill Thornton - Assistant Deputy Minister, MNDMF, and Chris Walsh - Director Forest Branch; David Hayhurst – Director Operations Branch and Mark Speers - Director, Industry Relations Branch for their continued support.

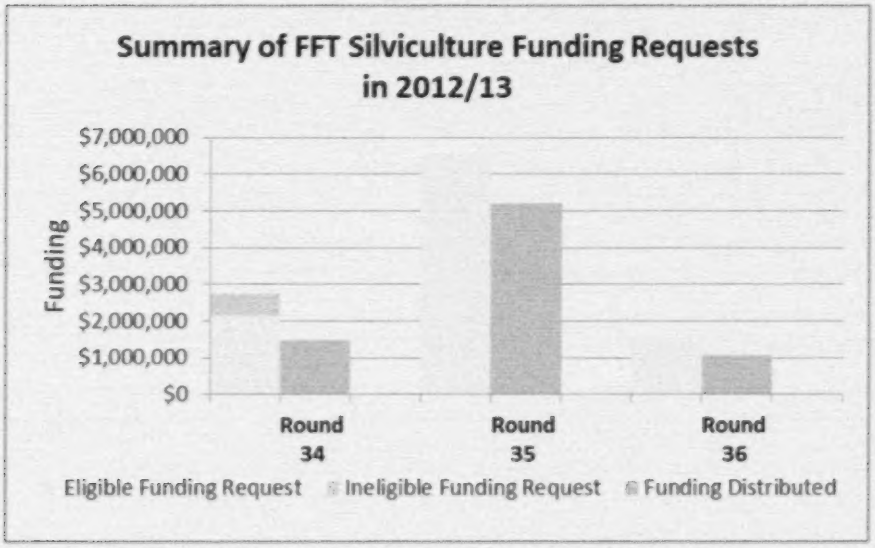
OUR PROGRAMS

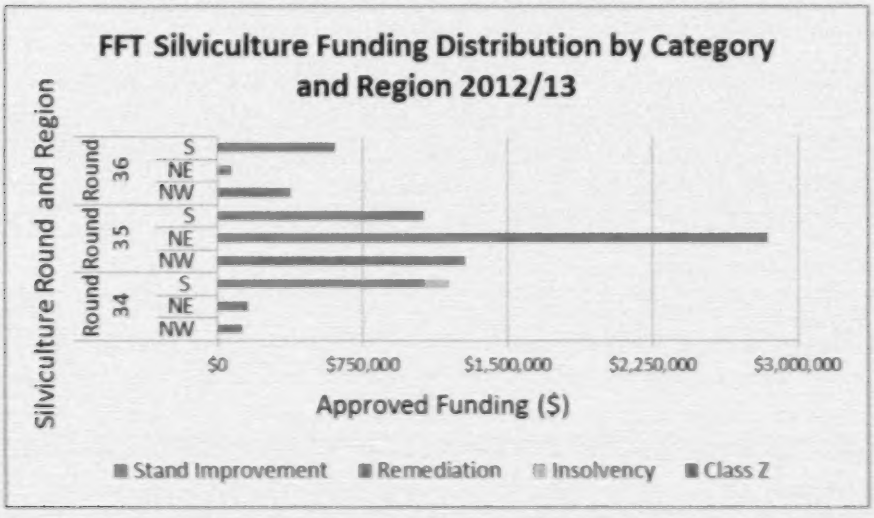
Silviculture Program

The Silviculture program funds silviculture needs resulting from forces of natural depletion such as fire, wind, insects, disease and flooding and historic forestry practices.

The Committee extended three invitations to apply for FFT Silviculture program funding in the 2012/13 fiscal year: Round 34, 35 and 36. A summary of the rounds is found on the table below. Funds are distributed as a reimbursement program after work is completed.

	# Applications	Funding Requested	# Applications approved for funding	Funding Distributed
Round 34	14	2,191,000	10	1,487,000
Round 35	17	6,517,000	14	5,194,000
Round 36	10	1,577,000	9	1,062,000





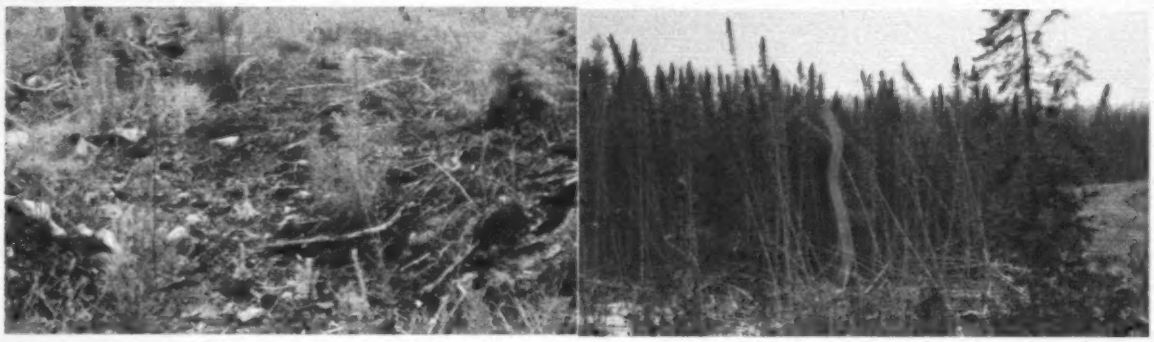
Forestry Futures Trust provides signs to compliment completed projects on an annual basis. Signs are erected by the company in areas of high traffic visibility. During the summer of 2012, 8 signs were erected -2 in the North West region, 5 in the North East Region and 1 in the Southern Region.

FFT Project Inspections

Date: July 5, 2012
Project: 742-2-R29 Renewal of salvaged blowdown
Participants: M Kershaw, B Elliott, M Barker, E Wang and H Bax (FFC), M Wiltshire, K VanEvery (FFC Contract Staff), Jack Harrison and Kathy Carpenter (Dryden Forest Management Company Ltd.)
Description: Over 80,000 seedlings were grown and planted to renew a 2009 salvaged blowdown. This job stimulus project provided over 13 person/weeks of employment for reforestation contractors. The attached photographs show the successful growth of planted jack pine.

Date: July 6, 2012
Project: Potential application at time of visit
Application submitted and approved as Project 825-2-R35
Participants: M Kershaw and H Bax (FFC), Bob Boyce (Miisun Integrated Resource Management Inc)
Description: Two Committee members flew over a blow down area on the Kenora Forest with the SFL staff to confirm both accessibility and the quality of site for FFT investment to reestablish productive conifer forest. The wind event created large blowdown patches of mature red pine, jack pine and aspen often aligned to reflect wind direction. The site visit confirmed the eligibility and value of the proposed project. The following photographs show the extent of the blowdown.

Date: October 11, 2012
Project: 701–2–R27, Crossroute Forest
Participants: Herb Bax (FFC), S Bros (IFA Analyst), AVES (IFA auditor), Resolute Forest Products, and District and corporate MNR
Description: In 2007, strong winds followed by heavy rains caused a 8,200 ha blowdown in the Scattergood Lake area. Salvage operations took place on approximately 1/3 of the blowdown and was then renewed using a variety of silvicultural treatments including: site preparation, planting, aerial seeding and tending.



Independent Forest Audit Program

Starting with the 2012 Independent Forest Audits the Committee, with the Ministry of Natural Resources, have put into place a Vendor of Record contracting process to more efficiently allocate the audits for the next 3 years, with an option to extend for 2 additional years. Five firms submitted proposals to be placed on the Vendor of Record list, with four successful firms.

The 2012 Independent Forest Audit program consisted of nine forests audited by four audit firms. The Committee reviewed proposals from the four firms on the IFA Vendor of Record list, on behalf of the Ministry of Natural Resources. The Committee selections were as follows:

Arborvitae Environmental Services Ltd.: Crossroute Forest and Hearst Forest

Arbex Forest Resources Consultants Ltd.: Northshore Forest and Sapawe Forest

Craig Howard RPF: Algonquin Park Forest and Romeo Malette Forest

KBM Forestry Consultants Inc.: Martel Forest, Nagagami Forest and Pineland Forest

The nine audits were awarded at a total cost of $918,249. In 2012 the contracts changed from fixed total cost contracts to having costs split between consulting per diem rates and expenses. The expenses must be reconciled upon completion of the audit and invoices must be equal to or less than the bid price. The actual cost to complete all nine audits in 2012 was **$996,659.**

All nine of the 2012 Independent Forest Audits resulted in a positive conclusion; however every audit had a number of recommendations for improvement. Detailed action plans to address issues found during the audits are being prepared and will be posted on the Ministry of Natural Resources website alongside the audit reports once they are tabled in the legislature.

Forestry Futures IFA Role

Since 2002, the Forestry Futures Trust Committee has implemented the IFA Program for the Ministry of Natural Resources. FFC responsibilities include: the allocation of funds; selection of audit firms; contract management and communications with the audit firms and key audit participants; attendance at audit meetings and field examinations; ensuring the audit program is implemented according to the IFA process and protocol; review of all draft reports and ensuring final reports are of the highest quality. The Committee also provides recommendations to MNR concerning revisions to the audit program and IFA process and protocol, coordinates auditor orientation sessions with MNR, and makes recommendations to the Minister of Natural Resources as required or appropriate.

Tenure Modernization Programs

Forest Management Component Program

When Sustainable Forest Licenses (SFLs) are returned to the Crown due to bankruptcy or insolvency, MNR assumes responsibility for all forest management activities on that management unit. Forest Management expenditures incurred by the Crown to do this work are funded from additional revenue paid to the Forestry Futures Trust from the Crown Stumpage system. The additional revenue is generated by a management fee charged for each cubic metre of wood harvested on the area. This has been termed the "forest management component".

There were four active FMC in 2012-13:

1. FMC 01-2011 Big Pic being managed under the direction of Wawa District and is part of the area of that will be under the management of the Nawiinginokiima Forest Management Corporation

2. FMC 02-2011 Sapawe under the direction of Fort Frances District (enhanced Forest Resource License (eFRL) issued May 2012 to Rainy Lake Tribal Resource Management Inc.)

3. FMC 03-2011 Whisky Jack under the direction of Kenora District

4. FMC 04-2011 Lac Seul under the direction of Sioux Lookout District (eFRL issued July 2012 to Obishikokaang Resource Corporation)

Enhanced Sustainable Forest License

The Enhanced Sustainable Forest License (eSFL) program was established in late 2011, as part of the Ministry's tenure modernization initiative which includes transitioning existing single-entity and cooperative Sustainable Forest Licence companies to a more inclusive model. This transition is consistent with (and would use) the remaining funds from the SFL Conversion program. Throughout 2012 the Ministry of Natural Resources continued to work on its tenure modernization initiative while the Forestry Futures Committee reviewed the existing application process to address the criteria for the ESFL program.

In the fall of 2012, the Committee finalized the application process and received the first application for the Kenogami ESFL, in March of 2013. The application was conditionally approved by the end of the fiscal year and the results will be reported in the 2013 annual report.

Local Forest Management Corporation Conversion Program

In August 2012, the Ministry of Natural Resources added the LFMC Conversion Program to the Forestry Futures Trust Fund. The purpose is to provide funding to support the start-up and establishment of Ontario Local Forest Management Corporations (LFMCs). The Trust serves as an interim mechanism to capture redirected Crown stumpage charges to fund start-up and establishment costs including required forest management activities on the proposed LFMC land area until such time as the Sustainable Forest Licenses are issued to the LFMC.

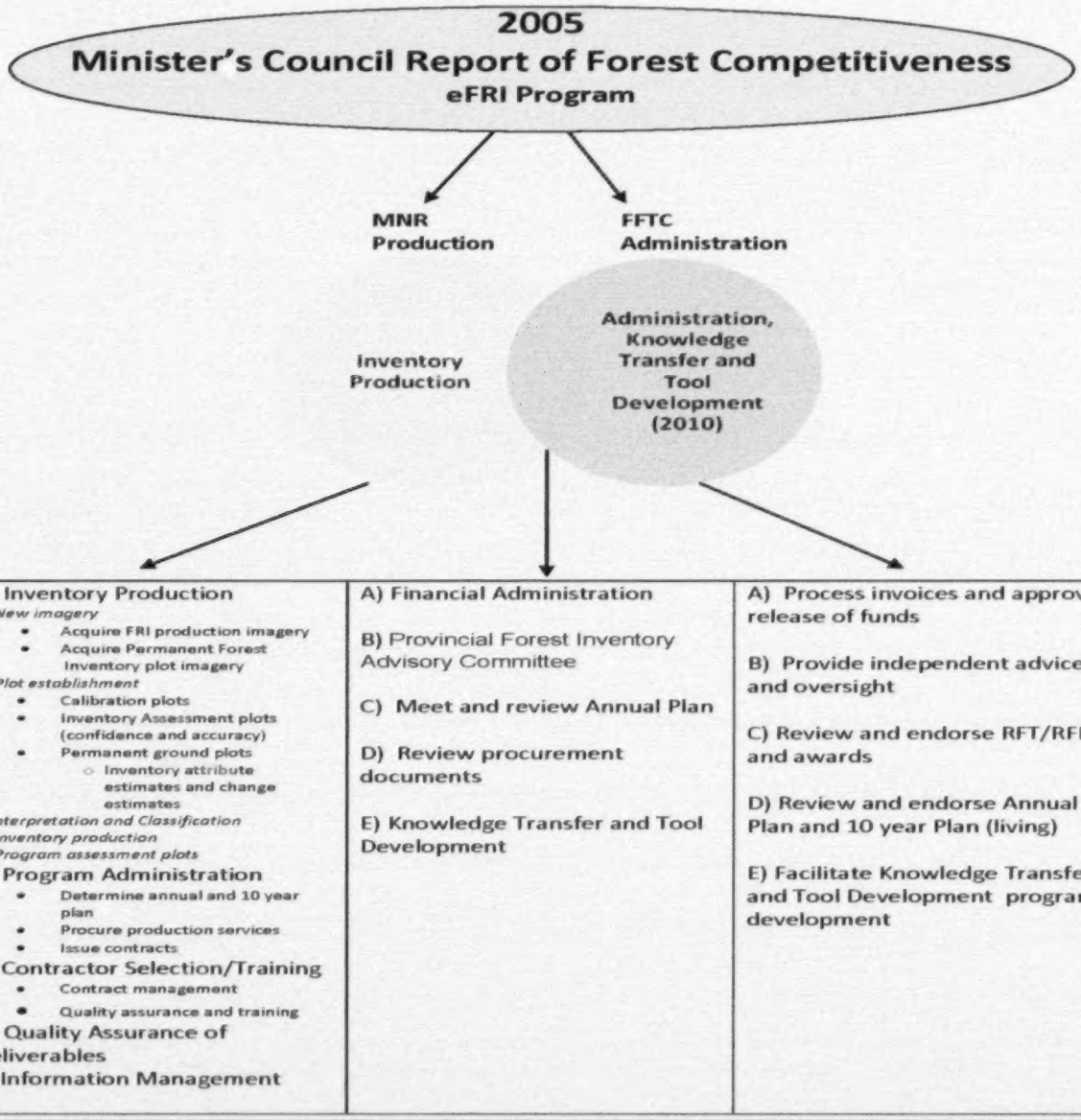
The first LFMC, Nawiinginokiima Forest Management Corporation (NFMC) was established in May 2012. In March 2013 the Committee received and approved an application from NFMC for start-up funding of $1.78 M from the LFMC Conversion Program account. The 2013 Forestry Futures annual report will report on progress with regard to implementation of the NFMC application.

For more information follow the links on the MNR website: Ontario's Forests > Business and Forestry > Crown Timber Use > Forest Tenure and Pricing Modernization.

Enhanced Forest Resource Inventory Program

The eFRI program is designed to develop a new Forest Resource Inventory utilizing current technologies, for the portion of the province within the "Area of Undertaking" as defined by the Timber Class Environmental Assessment. Funds for this program come from harvest volume charges paid by the Sustainable Forest Licensees for Crown timber. These funds are administered from a separate account within the Forestry Futures Trust account.

The FFC administers the eFRI program, in partnership with the MNR. The eFRI is a MNR program designed by MNR, with work contracted to qualified firms through the government procurement process. The FFC has the lead on designing and co-delivering the training component of the eFRI.


2005
Minister's Council Report of Forest Competitiveness
eFRI Program
MNR
Production
FFTC
Administration
Inventory
Production
Administration, Knowledge Transfer and Tool Development (2010)
A) Inventory Production
1) New imagery
Acquire FRI production imagery
Acquire Permanent Forest Inventory plot imagery
2) Plot establishment
Calibration plots
Inventory Assessment plots (confidence and accuracy)
Permanent ground plots
Inventory attribute estimates and change estimates
3)Interpretation and Classification
4) Inventory production
5) Program assessment plots
B) Program Administration
Determine annual and 10 year plan
Procure production services
Issue contracts
C) Contractor Selection/Training
Contract management
Quality assurance and training
D) Quality Assurance of Deliverables
E) Information Management
A) Financial Administration
B) Provincial Forest Inventory Advisory Committee
C) Meet and review Annual Plan
D) Review procurement documents
E) Knowledge Transfer and Tool Development
A) Process invoices and approve release of funds
B) Provide independent advice and oversight
C) Review and endorse RFT/RFP and awards
D) Review and endorse Annual Plan and 10 year Plan (living)
E) Facilitate Knowledge Transfer and Tool Development program development

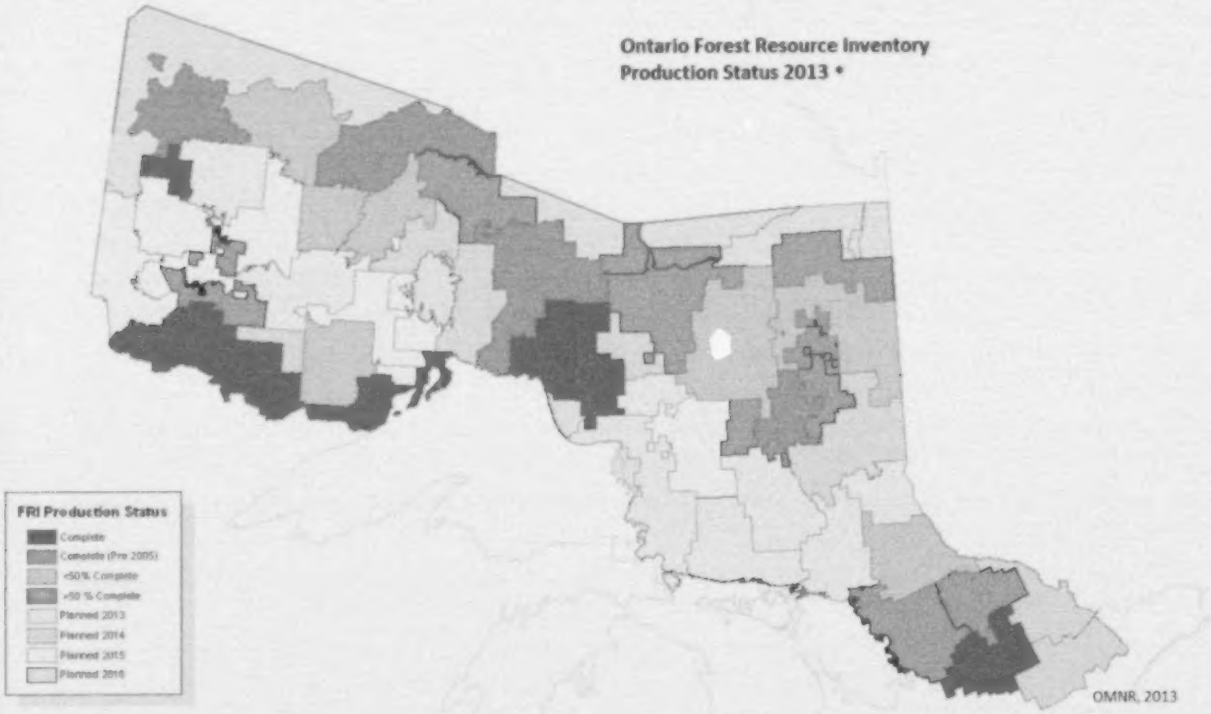
MNR Annual Update on eFRI Deliverables

The 2012/13 fiscal was the sixth year of the new program. Program activities under the direction of the MNR include:

- Standardized Water Classification covering ~89,475 sq. km.
- Semi-Global Matching Elevation Data covering ~89,475 sq. km.
- Measurement of 238 permanent forest inventory ground plots
- Measurement of 90 permanent forest inventory photo plots
- Continued development of the FRI Assessment Plot Sampling Design
- Training sessions held for field crews and photo-interpreters
- The table below lists the achievements by forest for the establishment of plots and FRI interpretation in 2012/13

eFRI Calibration and Area Interpretation 2012/13

Forest	Calibration plots installed and measured	Approximate Area Interpreted
Abitibi River Forest Phase II	863	n/a
Algonquin	305	~1542 km^2
Bancroft Minden	n/a	~483 km^2
Caribou	275	n/a
Cat Lake / Slate Falls	47	n/a
Constance Lake Area	n/a	~1942 km^2
Crossroute	n/a	~5851 km^2
Dog River-Matawin	292	n/a
French-Severn	352	~552 km^2
Gordon Cosens	n/a	~41 km^2
Hearst	n/a	~2703 km^2
Nipissing	300	n/a
Ogoki	n/a	~5183 km^2
Pineland	n/a	~1614 km^2
Red Lake	n/a	~3155 km^2
Wabakimi Provincial Park	47	n/a
Wabigoon	131	~3075 km^2
White River	n/a	~5321 km^2



Please note, although inventory is indicated as complete, it may not be distributed at this time

Update of Knowledge Transfer and Tool Development Component of eFRI

The Forestry Futures Committee in partnership with MNR and Lakehead University held a one-day workshop on November 2, 2012 in Thunder Bay that introduced eFRI to resource managers and presented various applications that could be derived from eFRI products.

Participants included government and industry. The agenda focused on:

- the details of the data being collected
- an overview of software requirements and costs
- the various options required to view the 3D imagery
- data, using case studies and examples of how it can be applied to achieve cost savings
- the application of the imagery and how it can be used for fieldwork.

Information discussed included the inclusion of Ecological Land Classification and soft copy options, storage requirements, and challenges related to data management

- Capturing the imagery – how it was done and challenges encountered
- Applications of imagery data

Questionnaire feedback after the workshop identified future topics of interest including:

- the application of the new inventory to resource planning
- enhancing imagery (technical)
- working within a geodatabase format
- applications to an urban environment

The Forestry Futures Committee also developed, in partnership with Lakehead University, a web-based module that functions as an introduction to GIS. The module provides information on:

- the differences between raster and vector data
- basic projections and datum systems and how they can influence data's appearance
- how to conduct basic editing within an ArcGIS environment

These two products lay the foundation for further in-depth knowledge sharing and training for the Enhanced Forest Resource Inventory Program.

COMMITTEE OPERATIONS

Committee Operations Budget - 2012/13

Available Funds	
Received from the *Forestry Futures Trust Fund*	$269,418.00
2011/12 unspent balance	$390,582.12
TOTAL Funds Available	**$660,000.12**
Expenditures	
Meetings/Travel	$99,127.37
Committee Honorariums	$110,914.13
Professional Fees/Contract Staff	$170,435.25
Admin Support	$65,610.51
Supplies (Communication/consumables)	$15,340.23
Equipment / Signage	$12,394.12
Overhead	$50,038.47
TOTAL Expenses	**$523,860.08**

Note: A list of New, Ongoing and Completed FFT Program projects can be found on our website.
http://www.forestryfutures.ca